J. Basic. Appl. Sci. Res., 4(12)41-49, 2014
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ISSN 2090-4304
Journal of Basic and Applied Scientific Research
www.textroad.com

Impact of Ownership Concentration and Ownership Mix on Firm Performance

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Received: February 17, 2014
Accepted: November 14, 2014

ABSTRACT

This study aims to find out the impact of ownership structure on firm s' performance. Ownership structure is divided into two categories: ownership concentration and ownership mix. Banking sector of Pakistan was chosen for this study and 14 banks were selected. Study period was 200-2009. Data was collected related to ownership concentration and ownership mix variables. Results showed that independent variables major shareholders, associated companies and local individuals' equity ownership (concent, sister and Lown) have no significant impact on the financial performance of banks. Ownership by directors, foreign investors/companies, financial institutions and government (Dir_own, Fown, Finn and Govt) positively impact the financial performance of banks.
KEY WORDS: ownership concentration, ownership mix, firm performance

1. INTRODUCTION

The influence of ownership structure on organization performance has been widely debated. The ownership structure for any kind of business affects its performance. The ownership structure must be decided to meet the business needs in the best way. Ownership structure can be explained as the division of equity of the company with respect to votes and investment and also by the identity of equity owners. In a sense, ownership structure affects the corporate governance structure since it can affect business and it different activities like incentives, mergers and acquisition, ignorance of management etc. Ownership structure can be defined as ratio of shares held by different shareholders (Wu, 2003). Ownership structure is sometime concentrated or mix. Concentrated ownership structure includes majority shares held by few major shareholders. Mix structure involves diffusion of ownership among different shareholders like government, businesses, individuals, foreign companies etc. Stock splits change the ownership structure and leads to restructuring of corporate control. If corporate control changes then there is a need to make changes in corporate governance. Ownership structure decisions have a major influence on the corporate governance of the company and its performance. When manager of the company will hold more equity, it will help to increase the performance of the company because the incentives which will be provided to managers will be better place between the managers and other owners of the equity (Jensen & Meckling, 1976). It can also help to increase the company control and can save the company form hostile takeovers. Ownership concentration or diffusion is important to consider. Some researchers oppose the large equity ownership by the managers. According to these researchers organizational performance will decrease in the presence of more equity ownership by the managers because they will only consider their benefits and earnings. It can also increase the cost of capital of the corporation and reduce diversification in the investment opportunities. So it is important to decide which owner structure will be followed by the corporation because it will affect its performance in many areas like corporate governance, shareholder value, firm value, investment opportunities and future value of firm's stock in the market. Pakistan is an emerging economy and corporate governance is less developed here as compared to developed countries.

Banking sector of Pakistan is a well organized sector and is performing better in last few years. It contains different categories of banks i.e. local banks, foreign banks, Islamic banks, public and private banks. Ownership structure of every bank is different and it affects its financial performance. In this study ownership structure is explained by two types i.e. ownership concentration and ownership mix (foreign, government, outsiders and family ownership) is studied to find out the relationship between ownership structure and organizational performance.

There is a substantial amount of literature about the effects of ownership structure on corporate performance from developed countries like UK, US and European countries. However, there is a gap in systematic facts for developing countries, especially for Pakistan. This study is not done in Pakistan before and on banking sector. Banking sector plays an important part in strengthen the economy and it needs to be studied in relation with its

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shareholding patterns and its effect on its financial performance. The contribution of this paper is that it aims to contribute to the body of knowledge and it focuses on finding out the impact of ownership structure, whether it is concentrated or mix, on the financial performance of the banking sector in Pakistan.
Research question 1: Does ownership concentration affects the performance of banks?
Research question 2: Does ownership mix affects the performance of banks?

2. LITERATURE REVIEW

Shareholders are owners of business and management works on behalf of shareholders to increase their wealth. As organization grows, ownership disperses among many shareholders and it reduces control of shareholders. This leads to less participation of every shareholder in selection of board of directors. Corporate governance is a system that runs the organization and it is established from the interaction of ownership structure. Making changes in ownership structure leads to change in corporate governance. The rules of the corporate governance may include the issues like determination of the management, control level of firm and the treatment of minority and majority shareholders (Alipour & Amjadi, 2011).

When ownership is divided among different shareholders, agency problem occur between shareholders and management due to asymmetric information. Conflict of interest occurs as result of such situation. A good corporate governance structure can reduces this problem (Berle & Means, 1932). Since ownership structure allows the shareholders to exercise their powers, agency cost should be considered to sustainsteady financial performance. Firms with diffused ownership structure face challenge to manage the managers and directors. In concentrated ownership minority shareholders face challenge to stop majority shareholders to use power for their benefits. Therefore ownership structure should be best possible to increase firm financial performance and minimize agency cost (Farooque, Zijl, Dunstan, & Karim, 2007). Different classes of shares have different level of controlling power in the organization. Proportion of shares held by different shareholders affects the ownership structure of organization that in return affects its performance (McConnell & Henri, 1990). According to Edward and Fischer (1994) there is a difference between bank based system and market system. In bank-based systems concentrated ownership of corporations, holding companies, state and family ownership and institutional shareholdings of financial institutions, such as banks, is the imperative (Edwards & Fischer, 1994). While market-based systems mainly depend on external control systems like takeovers and monitoring by an efficient stock exchange. Control in bank-base systems is more often based on internal control systems like board of directors and monitoring by large shareholders (Gugler, 1998)

The financial literature assumes that managers are imperfect agents for investors, as managers may attempt to pursue their own goals rather than stated that there may be a conflict of interest between shareholders and managers, as managers may have incentives which serve their own benefit rather than maximizing shareholders wealth (Jensen & Meckling, 1976).The corporate governance mechanisms vary around the world which could affect the relationship between ownership structure and corporate performance (Shleifer & Vishny, A survey of Corporate Governance, 1997). For example, in Europe and Japan, there is less reliance on elaborate legal protection, and more reliance on large investors while, in the US, firms rely on legal protection.

The possible impact of ownership structure on a research on corporate governance, but evidence on the nature of this relationship has been decidedly mixed. While some theories and empirical investigations suggest that ownership structure affects firm performance, others suggest the irrelevance of the relationship between ownership structure and firm performance. This paper also used ownership structure to predict the corporate failure. The results suggest that government ownership is negatively related to the likelihood of default. Government ownership decreases the likelihood of default, but has a negative decrease the likelihood of default, it is reasonable to reduce government ownership to some extent. Individual shareholders have no apparent capability to monitor and influence the behavior of management. Furthermore, a certain degree of ownership concentration is needed to increase the default. This paper also provides evidence that the performance of the firms is a non-linear function of ownership structure (Zeitun, 2009). Ownership concentration mean largest share of companies stock is held by single or group of share holder. There are more than 100 studies of impact of concentrated ownership structure on firm performance. These studies offer mix result, some studies proved that ownership structure yield good performance, bad performance, non observable effect on firm performance (King and Santor, 2008).

The division of ownership as well as the control suppliers of finance to the firms must give security to themselves, that they will receive the return on their investment. The instrument that is to pledge the return, need compulsory changes with the scope of the ownership percentage held by stockholders. If the owners of the company owned lesser volume of shares and have no concern to each other than the governing of management by these owners is quite incredible. A case study by Yasser (2011), corporate governance and performance for Pakistani communication sector explains, the purpose of this study is to examine the relation between the quality of corporate governance and performance of Pakistani listed companies. It is analyzed that the performance effects of corporate governance excellence with orientation to both evaluation and functioning performance. Scoring index was prepared for corporate governance to normalize a corporate governance catalog with the help of 40 different tools or pointers in the sectors of corporate governance. Corporate Governance Scoring Index was compared with operating performance and valuation and positive results was found.

In ownership concentration, corporate governance and firm performance: evidence from Pakistan by Javid and Iqbal (2011) said that the results tell that in Pakistan, organizations have more attention on the ownership due to the weak legal environment. The ownership concentration looks like, it has positive outcome on the performance and profitability of the organizations. And there is negative relationship between the practices of corporate governance and transparency and revelation with concentration of ownership. The identity of ownership has higher importance than the ownership concentration. Dispersed ownership structure owner of firms are unable to exercise control over manager. Because in dispersed ownership structure large number of minority share holders is unable to influence the management of firm. According to agency theory owner hire managers to improve the firm performance by using their expertise and knowledge. When interest of manager and owner differ efficiency of firm suffers and firm bears agency cost to reduce differences and to resolve the issues (Asad et al, 2013).

Ownership structure replicates the prospective supply of mechanism in the firm. By guiding the firm, an investor strongly affects the dividend payout policy. Juhandi (2013) studied the internal factors, ownership structure and company value through the ownership concentration that is replicated by the shareholders of the largest personal, family, industrial or institutional preserving object. He found that concentrated ownership positively affect company value and shareholder wealth.

Renneboog and Trojanowski (2005) did not support the Thomson study and as encounter, they discovered that there is a negative relationship between major block holders and dividend payouts in the context of voting power in organizations When they were governing for unnoticed firm's explicit effects, their results show a negative relationship between dividends and ownership concentration in conflict to results by Short, Zhang and Keasey (2002). Briefly, ownership structure has observed a positive relationship between dividends and shareholding by insurance companies and has negative relationship with individuals to a certain level in supportive the outcomes of Short, Zhang and Keasey (2002).

The relationship between ownership structure and firm performance is interesting. Some authors like (Morck, Shleifer, & Vishny, 1988), and (Morck, Shleifer, & Vishny, 1988) have found that there is a significant relationship between ownership structure and organization performance and some authors (Demsetz & Villalonga, 2001) found that there is no particular ownership structure that affects the performance of an organization. Research in this area also shows that ownership of directors does not increase performance and diffusion of ownership is helpful for increasing firm performance. Berle and Means were the first authors who investigated the relationship between the ownership structure and firm performance for the first time in 1932. They found that dispersion of ownership makes the shareholders weak in terms of exercising control and they cannot effectively monitor the activities of managers. So diffusion of ownership and firm performance has negative relationship. (Jensen & Meckling, 1976) found that managerial ownership can increase the performance of an organization because managers will have interest in increasing their benefits. They will work hard to increase the value of shareholders as it will also increase their wealth. The authorized owners of an organization are many and have different percentages of shares. They can be individuals, managers, institutions, and governments. Generally not all owners are directly involved in managing the organization However, they appoint the managers and board of directors to examine the overall performance of the organization. So, there is a number of ownership such as managerial ownership, director ownership, government, family, foreign, and institutional ownership (Zeitun & Almudekhi, Ownership structure and corporate performance: evidence from Qatar, 2005). Asymmetric information and the separation of ownership and control introduce several prospective agency conflicts. In Japan the impact of ownership structure on firm performance is multidimensional. It shows multiple principle agent problems like conflict between management and shareholders, management and employees, shareholders and creditors and among individuals, corporate and financial institutional shareholders (Lichtenberg & Pushner, 1994).

We conclude that ownership structure do affect firm performance and wealth of shareholders. From the above discussion we propose following model:

3. THEORETICAL FRAMEWORK

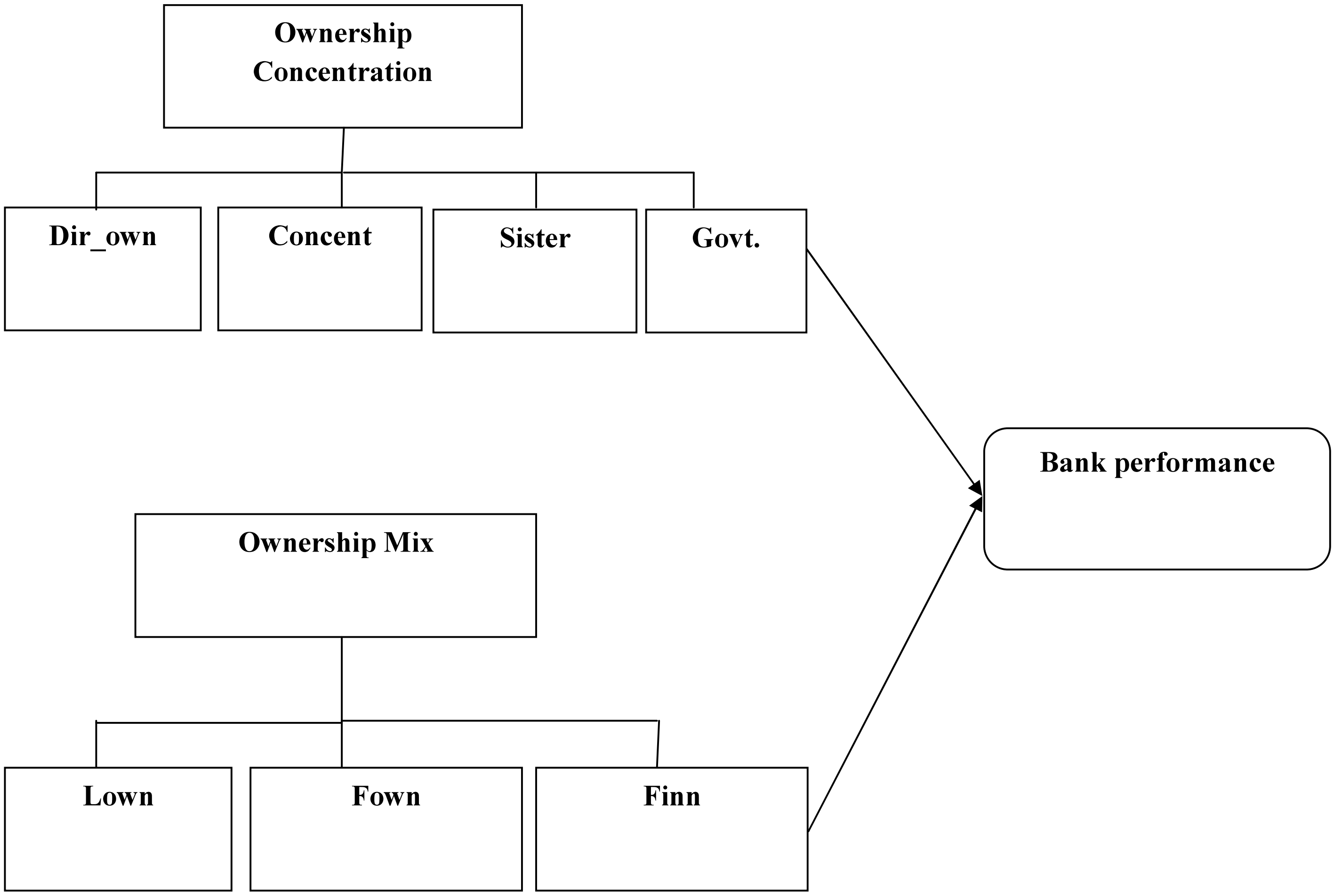

Figure 1.1: impact of ownership concentration and ownership mix on banks' performance

Ownership concentration is divided into shares held by directors, major shareholders, associated companies and government. Ownership mix is divided into shares held by local individuals (general public), foreign investors/companies and financial institutions. Firm performance is measured by return on assets (ROA), return on equity (ROE) and net profit margin (NMP). In this model Dir_own shows the percentage of total shares held by directors of a bank. Concent shows the percentage of total shares held by major shareholders of a bank. Sister shows the percentage of total shares held by associated or related companies of a bank. Govt shows the percentage of total shares of a bank held by government. Lown shows the percentage of total shares of a bank held by Local individuals. Fown shows the percentage of total shares of a bank held by foreign investor/companies. Finn shows the percentage of total shares of a bank held by financial institutions.

For we have formed following hypothesis

H_1: Ownership by Directors significantly impacts banks' performance
H_2: Ownership by major shareholders significantly impacts banks' performance
H_3: Ownership by sister organizations significantly impacts banks' performance
H_4: Ownership by government significantly impacts banks' performance
H_5: Ownership by local individuals significantly impacts banks' performance
H_6: Ownership by foreign investors significantly impacts banks' performance
H_7: Ownership by financial institutions significantly impacts banks' performance

Different researchers have separately worked on different types of ownership structure and its effect on financial performance of the organizations. In Pakistan few studies have been conducted on ownership structure and its impact on firm performance. These studies consider ownership by large shareholder (Abbas et al., 2013), individual ownership and dividend policy (Afzal and Sherish, 2010), ownership structure and cashflows (Afza and Mirza, 2010), ownership concentration and firm performance (Javid and Iqbal, 2009), Director and institutional ownership and agency cost (Gul et al, 2012), concentrated ownership and firm performance (Ahmed et al., 2012), managerial and institutional ownership structure and corporate governance (Hasan and Butt, 2009) and director ownership and firm performance (Rehman and Shah, 2013). All these researchers have studied only director ownership, institutional ownership, individual ownership and managerial ownership. They have also separately studied these structures of shareholding. But our study has seen the effect of concentrated and mix ownership structure and its effect on firm performance.

Rationale of using the agency theory

This study is based on "Agency Theory" developed by Jensen and Meckling in 1976. It is argued that the separation of ownership from control for an organization creates an agency issue that results in conflicts between shareholders and managers (Jensen and Meckling, 1976; Shleifer and Vishny, 1997). "This theory states the relationship between agents (management) and principles (shareholders). According to this theory agents should act on behalf of principles to maximize their value. But sometimes under concentrated ownership, minority shareholders are not legally protected. The interests of other investors can generally be protected through certain arrangements between the company and concerned shareholders. The interest of shareholders can adequately be protected through the improvement of corporate governance (Shleifer and Vishny, 1997).

4. METHODOLOGY

Pakistani banking sector was chosen for this study. Data of year 2005-2009 were used in this study. Annual reports of 14 banks were used to collect the data on shareholding pattern and firm performance. Regression model was formulated to find the impact of ownership structure on firm performance. Following is the regression model for all three dependent variables and independent variables:

$PER = \alpha + \beta_1(dir\_own) + \beta_2(concent) + \beta_3(sister) + \beta_4(govt) + \beta_5(lown) + \beta_6(fown) + \beta_7(finn) + \mu$

Dir_own= Director Ownership
Concent= concentration representing major shareholders' ownership
Sister= associated and related organizations
Govt= government
Lown= local individuals
Fown= Foreign individuals and companies
Finn= Financial institutions
PER= financial performance of banks measured in terms of ROA, ROE and NPM

Data was transformed into binary numbers of 0 and 1. No autocorrelation was found due to transformation of variables. Balance panels are used. Method used for analysis is "Generalized Least Square Method". Cross section weights were used in order to control heteroskedasticity. Linear estimation after one-step weighting matrix is also applied.

5. Data Findings

Table 1.1 shows the impact of ownership concentration and ownership mix on ROA. This table shows that the coefficient of "Dir_own" is highly significant at less than 1% level of significance. This shows that directors who have ownership of the shares have affected the performance of the banks than the directors who do not have ownership of shares. Directors with ownership of shares are affecting 49.49% on average the performance of banks. These findings are strongly supported statistically as shown in the table 1.1. "Concent" does not have any significant impact on financial performance of banks under consideration whether concentration is 50% or less. Financial performance of banks goes on its own way irrespective of concentration of ownership. Ownership of shares by sister organizations have negative impact on the financial performance of the banks. Financial performance of the banks in terms of ROA is adversely affected by issuing shares to their targeted sister organizations. The coefficient of this variable (sister) is not only negative but also it is highly significant at the probability of type-I error less than 1. In Pakistan since 1999 onwards, financial institutions have engaged public sector organizations in the sale and purchase of their shares. For the period of this study performance of banks measured in terms of ROA have significantly improved with government intervention in the form of holding shares of banks. The coefficient of this variable (govt) is not only positive but highly significant. "Lown" has no impact on the financial performance of the bank. Financial performance of the banks in terms of ROA is not affected significantly by issuing shares to general public. The variable "Fown" shows positive impact on the financial performance of bank. Local-foreign partnership has significantly improved the performance of banks measured in terms of ROA and it pays to business. The variable "Finn" has significantly improved the performance of the banks. Its coefficient is significant at 3% level of significance. From these results it has been proved that hypotheses H_2, H_3 and H_5 have been rejected and we conclude that ownership by major shareholders, associated organizations and local individuals do not affect the financial performance of banks measured in terms of ROA. Ownership by directors, government, foreign investors/companies and financial institutions positively affect the financial performance of banks measured in terms of ROA.

Table 1.1: impact of ownership concentration and ownership mix on ROA

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.50687	0.333808	-1.51846	0.1374
DIR_OWN	0.4949	0.145127	3.410117	0.0016
CONCENT	0.011974	0.027579	0.434177	0.6667
SISTER	-1.22147	0.17107	-7.14019	0.0000
GOVT	0.719538	0.093259	7.715522	0.0000
LOWN	0.016169	0.025085	0.644569	0.5232
FOWN	0.717474	0.097188	7.382329	0.0000
FINN	0.773264	0.345794	2.236197	0.0315

Table 1.2 shows the value of $R^2$for regression model of ROA. Here it is showing the value of 72.41% which indicates that all independent variables are contributing 72.41% in increasing the financial performance of banks measured in terms of ROA. Adjusted R-squared measures the proportion of variance in the dependent variable that was explained by the variations in the independent variable. Here 67.19% variance in performance of bank is explained by variations in independent variables. F value shows overall significance of the model and here it is significant at probability value.

Table 1.2: Weighted statistics

R-squared	**0.724089**	**Mean dependent var**	**8.190068**
Adjusted R-squared	0.671889	S.D. dependent var	16.40268
S.E. of regression	0.260544	Sum squared resid	2.511674
F-statistic	13.87157	Durbin-Watson stat	0.885914
Prob(F-statistic)	0.000		

Table 1.3 shows the impact of ownership concentration and ownership mix on ROE. This table also shows that the coefficient of "Dir_own" is highly significant. This shows that equity ownership by directors affect the performance of the banks than. These findings are statistically significant as shown in the table 1.1. Here coefficient of "Concent" does not show any significant impact on financial performance of banks under consideration whether concentration is 50% or less. Financial performance of banks is not affected by equity ownership by major shareholders. This shows that equity ownership by few shareholders in any bank have not affected the financial performance of banks measured in terms of ROE. Financial performance of the banks in terms of ROE is negatively affected by allocating shares to associated and related organizations. The coefficient of this variable (sister) is negative but also it is highly significant at the probability value. The coefficient of independent variable (govt) is positive and highly significant. So we can find out that if government own shares then performance of banks will be affected positively measured in terms of ROE. The coefficient of variable "Lown" has no impact on the financial performance of the bank. Financial performance of the banks is not affected by 50% or more ownership of general public in banks' equity. The coefficient of variable "Fown" has significant impact on the financial performance of bank measured in terms of ROE. If foreigners hold shares of banks then the performance of those banks will be more by 71.75% then those banks that do not have foreign shareholders. The coefficient of variable "Finn" has significantly improved the performance of the banks measured in terms of ROE by 73.33% than those banks that have not issued shares to the financial institutions. From these results it has been proved that hypotheses H_2, H_3 and H_5 have been rejected and we conclude that ownership by major shareholders, associated organizations and local individuals do not affect the financial performance of banks measured in terms of ROE. If directors, government, foreign investors/companies and financial institutions are issued shares then they positively affect the financial performance of banks measured in terms of ROE.

Table 1.3: impact of ownership concentration and ownership mix on ROE

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.50687	0.333808	-1.51846	0.1374
DIR_OWN	0.4949	0.145127	3.410117	0.0016
CONCENT	0.011974	0.027579	0.434177	0.6667
SISTER	-1.22147	0.17107	-7.14019	0.000
GOVT	0.719538	0.093259	7.715522	0.000
LOWN	0.016169	0.025085	0.644569	0.5232
FOWN	0.717474	0.097188	7.382329	0.000
FINN	0.773264	0.345794	2.236197	0.0315

Table 1.4 shows the value of $R^2$for regression model of ROE. Here it is showing the value of 72.41% which indicates that all independent variables are contributing 72.41% in increasing the financial performance of banks measured in terms of ROE. F value shows overall significance of the model and here it is significant at probability value.

Table 1.4: weighted statistics

R-squared	0.724089	Mean dependent var	8.190068
Adjusted R-squared	0.671889	S.D. dependent var	16.40268
S.E. of regression	0.260544	Sum squared resid	2.511674
F-statistic	13.87157	Durbin-Watson stat	0.885914
Prob(F-statistic)	0.000		

Table 1.5 shows the impact of ownership concentration and ownership mix on NPM. This table shows that the coefficient of “Dir_own” is highly significant at less than 1% level of significance. This shows that if directors own shares of banks, they affect on average 25.71% the performance of the banks measured in terms of NPM.The coefficient of variable “Concent” has not shown any significant impact on financial performance of banks under consideration whether concentration is 50% or less. Financial performance of banks is not affected by concentration of ownership measured in terms of NPM. Ownership of shares by sister organizations affects the financial performance of the banks negatively on average by 97.21%. The coefficient of this variable (sister) is not only negative but also it is highly significant at the probability of type-I error less than 1. If government own shares of banks then it positively affects the performance by 69.27% on average. So the banks with government ownership are performing 69.27% on average better than those banks that have not issued shares to the government. So government intervention positively affects the financial performance of banks. It is highly statistically significant on the probability value of 0.000. The coefficient of variable “Lown” shows no impact on the financial performance of the bank measured in terms of NPM. Financial performance of the banks in terms of NMP is not affected significantly by issuing shares to general public. The variable “Fown” shows positive impact on the financial performance of bank. Financial performance of banks is improved on average 69.18%. The coefficient of variable “Finn” has significantly improved the performance of the banks. The performance of banks that have issued shares to financial institutions are performing better on average 56% than those banks that have not issued shares to financial institutions. From these results it has been proved that hypotheses H_2, H_3 and H_5 have been rejected and we conclude that ownership by major shareholders, associated organizations and local individuals do not affect the financial performance of banks measured in terms of NMP. Ownership by directors, government, foreign investors/companies and financial institutions positively affect the financial performance of banks measured in terms of NMP.

Table 1.5: impact of ownership concentration and ownership mix on NMP

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.283484	0.361076	-0.785108	0.4374
DIR_OWN	0.254127	0.176532	1.439551	0.1584
CONCENT	0.029357	0.046777	0.627581	0.5341
SISTER	-0.972039	0.19763	-4.918479	0.000
GOVT	0.692675	0.105693	6.553634	0.000
LOWN	0.032073	0.038044	0.84306	0.4046
FOWN	0.691832	0.116009	5.96359	0.000
FINN	0.560094	0.37617	1.488938	0.145

Table 1.6 shows the value of $R^2$for regression model of NMP. Here it is showing the value of 69.58% which indicates that all independent variables are contributing 69.58% in increasing the financial performance of banks measured in terms of NMP. The value of Adjusted R-squared is 63.84%; it is less than R-squared. S.E. of regression

indicates how sample is representative of population. Value of standard error of regression is 0.28593%; it means that sample is highly representative of population. Probability of F-statistics is used to test the significance level of regression model. The value of Probability of statistics is 0.000; which indicates that out of 100 there are 0% chances that parameters associated with independent are zero. The Durbin-Watson test statistic is used to test the null hypothesis that the remaining from an ordinary least-squares regression are not auto correlated against the alternative its values ranges from 0 to 4.Durbin-Watson test statistics value is 1.335206 is near to 2. It shows that there is positive first order autocorrelation. It indicates that there is a positive autocorrelation.

Table 1.6: Weighted statistics

Weighted Statistics			
R-squared	0.695791	Mean dependent var	3.615662
Adjusted R-squared	0.638238	S.D. dependent var	5.609027
S.E. of regression	0.28593	Sum squared resid	3.024967
F-statistic	12.08956	Durbin-Watson stat	0.589084
Prob(F-statistic)	0.000		

6. DISCUSSION AND CONCLUSION

From the above mentioned results we can say that ownership by major shareholder, associated organizations and local individuals do not affect the financial performance of the banks. Financial performance was measured in terms of ROA, ROE and NMP. Our findings are supported by the study of (Zeitun, Ownership structure, corporate performance and failure: evidence from panel data of emerging market: The case of Jordan, 2009; Alipour & Amjadi, 2011). They found that ownership concentration by major shareholders and individuals (general public) have negative impact on efficiency of companies. There is negative correlation between ownership concentration and firm performance. A study by Noora Almudehki and Rami Zeitunin 2005showed that ownership by board of directors and foreign ownership is positively related to financial performance of firms. A study by (Lichtenberg & Pushner, 1994) showed that ownership by financial institutions and directors positively impact firm performance.

Ownership structure decisions have a major influence on the corporate governance of the company and its performance. Banks act as pillars for an economy. Ownership structure of banks helps them to increase their profits and boost the economy.

Recommendations

1. Banks should focus on issuing their shares more to foreign investors, directors, financial institutions and government. This will help them to improve their financial performance.
2. Equity ownership by foreign investors and financial institutions are affecting banks' performance more than any other variable under consideration. So shareholding pattern should also be decided to maximize performance of the bank.
3. When performance is improved through shareholding pattern, it will help to reduce agency problems between management and shareholders.

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